

STATE BANK OF INDIA | PSU Banking

Higher write – offs led to GNPA reduction; Highest ever quarterly profit

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Result and Price Analysis

State Bank of India (SBI) has delivered a strong result on operating and assets quality front. Reported gross slippages stood at ₹24bn v/s ₹97bn in the previous quarter. It's reported GNPA (3.52% v/s 3.91% in 1QFY23) and NNPA (0.8% v/s 1.0% in 1QFY23) holds steady with stable PCR (incl. AUCA) of 92%. Furthermore SMA2 (7bps v/s 6bps) increased marginally. The bank has witnessed better than expected advance growth (21% YoY & 5% QoQ) led by growth across segments and steady deposit base (10.6% YoY & 3.4% QoQ) sequentially with better liquidity position. Moreover the bank has reported highest ever quarterly PAT of ₹132bn (v/s ₹62bn in 1QFY23) on the back of healthy NII (Domestic NIMs: 3.55%) and lower provision (credit cost: 28bps). The 2QFY23 calculated ROA and ROE stood at 1.04% and 17.4% respectively; surpassing the ROE target of 15%. The bank has established total standard asset and contingent provision of ~₹298bn (101bps of net advances) as on 2QFY23. With improving operating environment, ample contingent buffer and strong growth outlook, we believe the annual ROE target of 15% is achievable in FY23-24E. Therefore, we recommend BUY with target price of ₹663.

Gazing the core

Higher write-offs led to GNPA reduction: The bank's slippages were suggestively higher sequentially at ₹31bn (v/s ₹24bn) and lower recoveries (₹16.4bn v/s ₹52bn). Moreover, bulky write-offs (₹100bn and ₹37bn respectively) led to decrease in GNPA ratio to 3.14% v/s 3.52% in the previous quarter. The bank's asset quality improved meaningfully as reported GNPA/NNPA/PCR ratio stood at 3.14%/0.77%/92% against 3.52%/0.8%/92% in 2QFY23. GNPA ratio of retail, agriculture, SME and corporate segment stood at 3.2%, 12.0%, 5.2%, and 4.3% respectively. Additionally, The Bank's SMA 1 (₹31bn, 10bps) and SMA 2 (₹17bn, 6bps) narrowed down. Moreover, BB & below book flat 11% of wholesale book. The restructured pool came down to ₹260bn (85bps of net advances) from ₹273bn (93bps) in the previous quarter.

| Key Financials (₹ mn) | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| NII | 9,80,848 | 11,07,100 | 12,07,076 | 13,94,156 | 16,63,602 |
| Operating Profit | 6,81,326 | 7,15,542 | 6,78,740 | 8,68,322 | 10,27,106 |
| Reported Profits | 1,44,881 | 2,04,105 | 3,16,760 | 5,02,986 | 5,98,027 |
| Net Worth | 20,82,448 | 23,02,978 | 25,67,102 | 30,70,088 | 36,68,115 |
| Loan & Advances | 2,32,52,896 | 2,44,94,978 | 2,73,39,666 | 3,17,14,012 | 3,71,05,395 |
| Int. Bearing Liabilities | 3,55,62,764 | 4,09,85,748 | 4,47,75,775 | 4,90,37,223 | 5,63,55,025 |

| Key Ratios (%) | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------|------|------|------|-------|-------|
| NIM's | 2.8 | 2.9 | 2.8 | 2.9 | 3.1 |
| C/I | 52.5 | 53.6 | 53.3 | 52.7 | 52.2 |
| Gross NPA | 6.2 | 5.0 | 4.0 | 3.0 | 2.5 |
| Tier 1 | 11.2 | 11.7 | 10.9 | 11.7 | 12.0 |
| Adj. RoA | 0.4 | 0.5 | 0.4 | 1.0 | 1.0 |
| Adj. RoE | 6.4 | 8.4 | 6.3 | 16.4 | 16.4 |

| | |
|--------------------------|-----|
| Rating | BUY |
| Current Market Price (₹) | 544 |
| 12 M Price Target (₹) | 663 |
| Potential upside (%) | 22 |

Stock Data

| | |
|---|---------------|
| FV (₹) : | 1 |
| Total Market Cap (₹ bn) : | 4,870 |
| Free Float Market Cap (₹ bn) : | 2,088 |
| 52-Week High / Low (₹) | 630 / 425 |
| 2-Year High / Low (₹) : | 630 / 321 |
| 1 Year Avg. Dly Traded Volume (in lakh) | 155 |
| BSE Code / NSE Symbol | 500112 / SBIN |
| Bloomberg : | SBIN IN |

Shareholding Pattern

| (%) | Dec-22 | Sep-22 | Jun-22 | Mar-22 |
|-----------|--------|--------|--------|--------|
| GOI | 57.50 | 57.52 | 57.57 | 57.59 |
| FPIs | 10.09 | 9.95 | 9.62 | 9.97 |
| MFs | 13.20 | 13.30 | 13.18 | 13.16 |
| Insurance | 10.52 | 10.49 | 10.45 | 10.13 |
| Others | 8.69 | 8.74 | 9.18 | 9.15 |

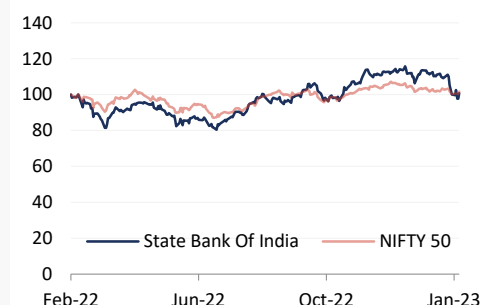
Source: BSE

Price Performance

| (%) | 1M | 3M | 6M | 1YR |
|----------|--------|-------|------|------|
| SBI | -11.1% | -7.0% | 0.6% | 0.8% |
| Nifty 50 | -2.1% | -1.1% | 2.7% | 1.7% |

* To date / current date : February 3, 2023

SBI vs Nifty 50



Management expects the pool to stay stable in near term. On total restructuring, retail book accounted for ~56%. Retail restructuring was in home loan and SME category and there was hardly any restructuring under Xpress credit card. The provision towards restructuring (₹78bn) stood around 30% of the restructured book which is quite similar to large private banks. The provisioning expenses of ₹57.6bn (Credit cost: 0.21% v/s 0.28% in 2QFY23) was in line with expectations and carries ₹15.8bn for loan loss provisions. Standard asset provisions worth ₹42.3bn reported in 3QFY23 against ₹13bn has written back in the 1QFY23. The bank has established total provision outside PCR of ~₹338bn (111bps of net advances) as on 3QFY23.

Highest ever quarterly profit; surpassing ROE target: Domestic NIMs (3.49%) up by 10bps sequentially. Management believes the NIMs to remain stable. YOA and COD stood at 7.87% and 3.9% against 7.66% and 3.84% in the previous quarter. Overall NIMs stood at 3.29%. It translated in 8.2% sequential growth in NII (381bn). Strong NII growth and lower opex. (C/I: 49% v/s 52% in 2QFY23) resulted in the PPOP growth of 19.4% sequentially. Provision expenses were sequentially higher (90% QoQ) because of higher standard asset provision built up. However, Loan loss provision (~₹15.8bn v/s ~₹20bn in 2QFY23) were lower. Hence the net profit witnessed steady jump of 7.1% sequentially. The bank's ROA/ROE (calculated, annualized) stood at 1.1% and 17.7% respectively; surpassing the ROE target of 15%.

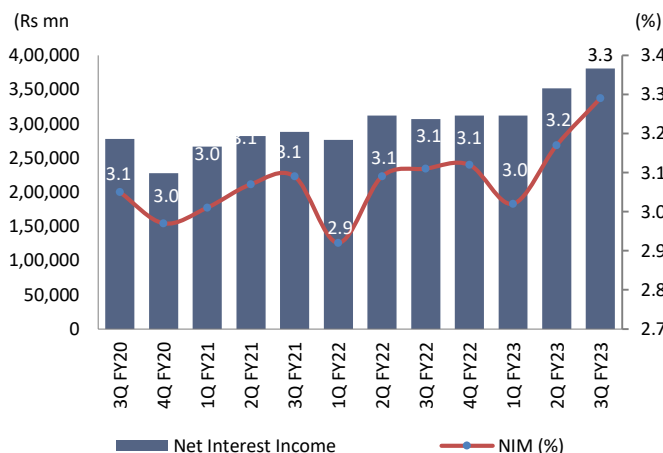
Superior credit growth: The bank's net advances stood at ₹30.6tn; grew healthy by 18.6% YOY and 3.6% QOQ. Retail (42.5% contribution) and Agriculture (9.3% contribution) grew by 4.6% and 3.5% sequentially. Corporate (35% contribution) grew by 4.9% QoQ. Corporate credit witnessed a lower sequential growth due to higher base. The bank's investments are ~₹15.7tn of which ₹9.6tn are HTM and ₹6.0tn are AFS with modified duration of 1.9. Around 22% of loan book is linked to EBLR, 49% MCLR, 17% fixed rate and 0.24% are repo linked. The bank's deposit stood at ₹42.1tn grew steadily by 9.5% YOY and 0.6% QoQ. CASA ratio flat at 44.5%. In 3QFY23, the bank's CRAR stood at 13.27% vs. 13.51% in the previous quarter with CET 1 of 9.26%. The bank doesn't expect capital raise from the Govt. or market in near term. The RWA to assets stood at 50.6%.

Outlook & Valuations

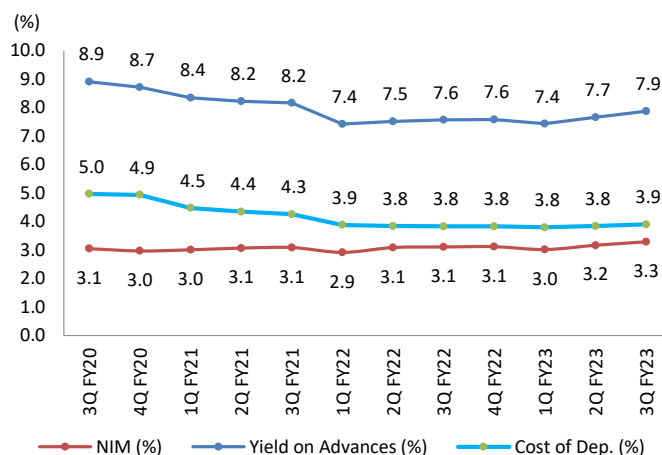
Under base case scenario, we expect the bank to post a ROA/ROE of 1%/16.4% by FY24E led by healthy balance sheet growth along with higher PCR and stable asset quality. We recommend BUY with target price of ₹663 (potential upside of 22%). We value the standalone bank with PBV of 1.3x FY24E Adj. BVPS of ₹398 and value of subsidiaries per share of ₹146.

Quarterly story in charts

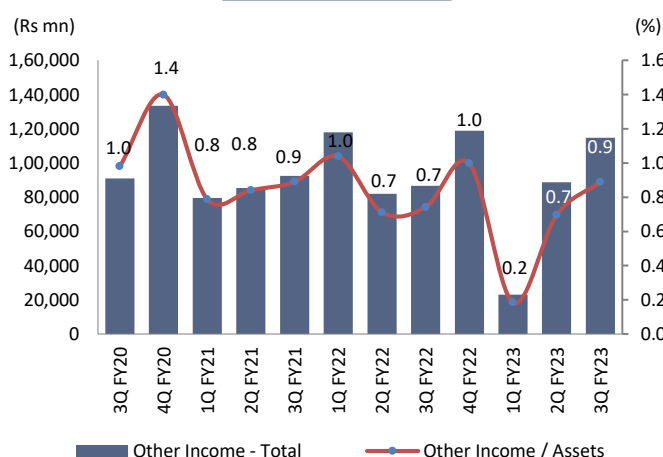
NII trend



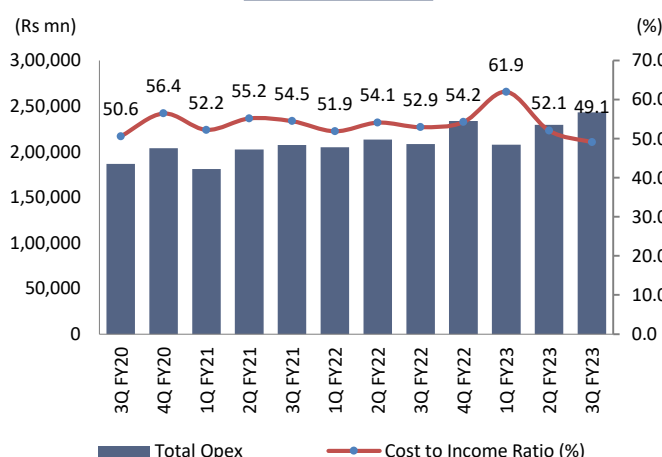
Yields & margin trend



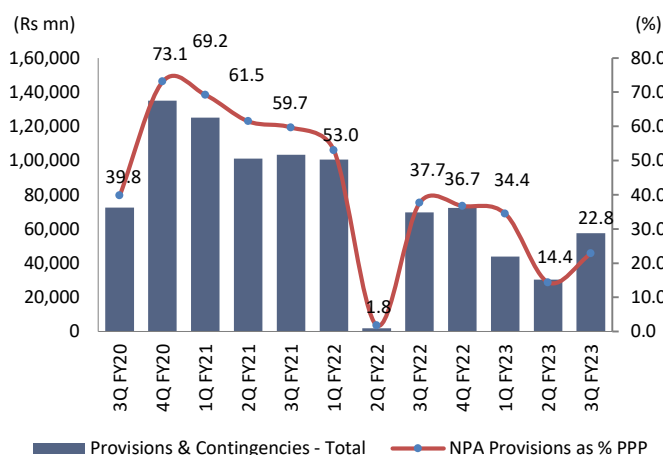
Other income trend



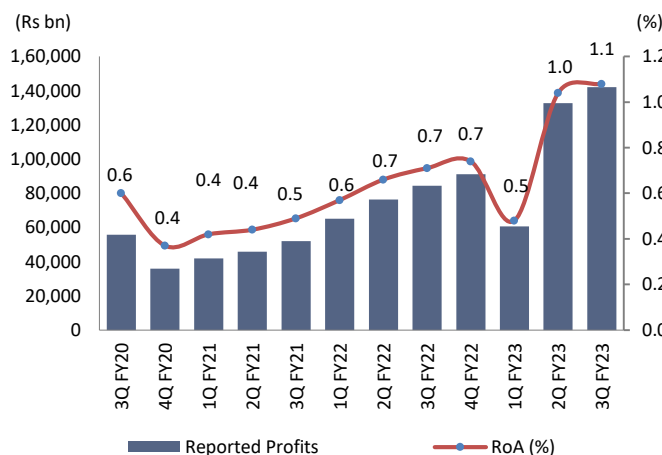
Total opex trend



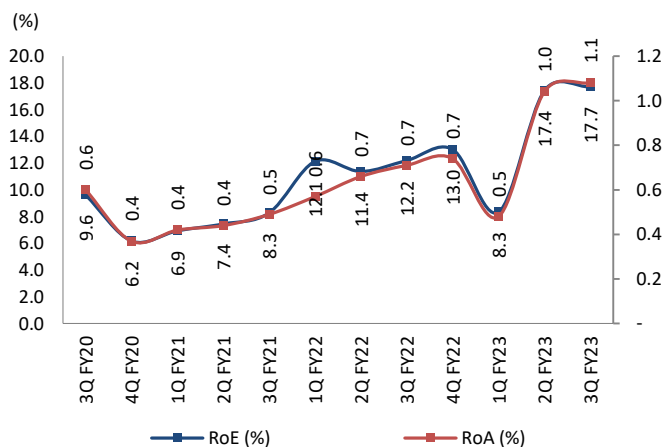
Provision expenses trend



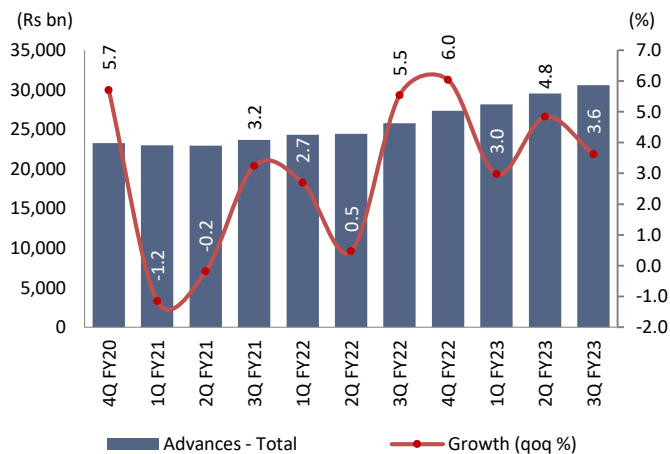
Reported profit trend



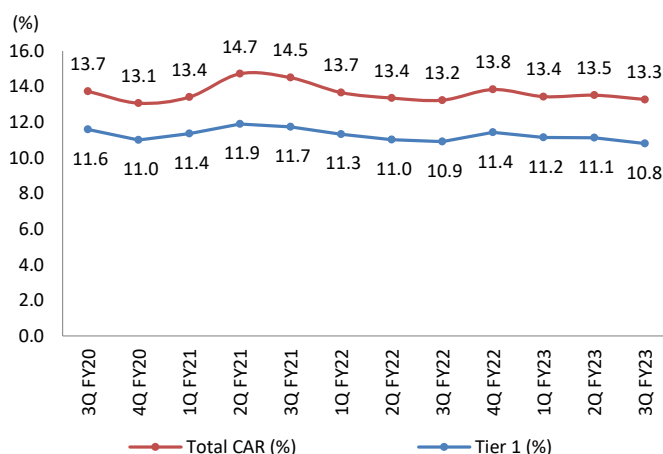
Return ratio trend



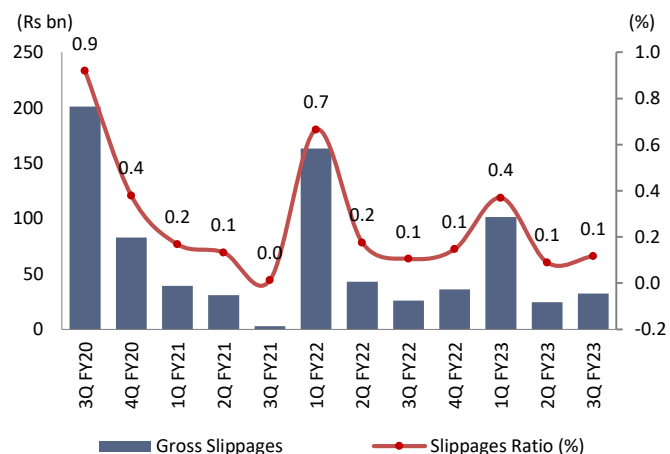
Loan book trend



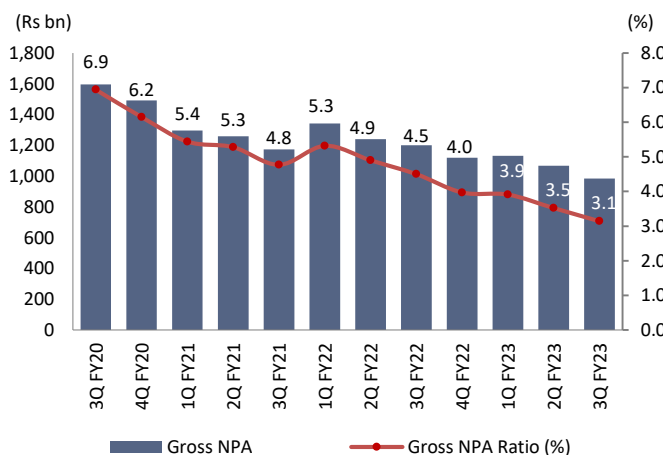
CRAR & Tier 1 ratio trend



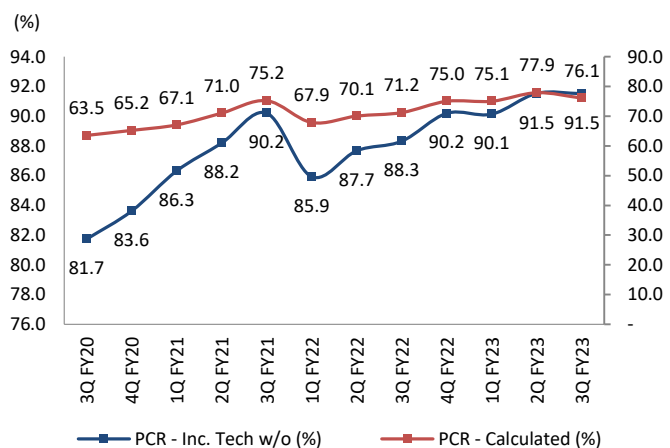
Slippages trend



Gross NPA trend



PCR Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

| (₹ mn) | 3Q FY23 | 3Q FY22 | % yoy / bps | 2Q FY23 | % qoq / bps | FY22 | FY21 | % yoy / bps |
|--|-------------|-------------|----------------|-------------|--------------|-------------|-------------|----------------|
| Interest Inc. | 8,66,160 | 6,96,781 | 24.3 | 7,98,596 | 8.5 | 27,54,573 | 26,51,506 | 3.9 |
| Interest Expenses | 4,85,470 | 3,82,980 | 26.8 | 4,46,760 | 8.7 | 15,47,497 | 15,44,406 | 0.2 |
| Net Interest Income | 3,80,686 | 3,06,874 | 24.1 | 3,51,834 | 8.2 | 12,07,076 | 11,07,100 | 9.0 |
| <i>NII to Net Operative Income</i> | <i>76.8</i> | <i>78.0</i> | <i>(111)</i> | <i>79.9</i> | <i>(301)</i> | <i>74.8</i> | <i>71.8</i> | <i>305</i> |
| <i>NIM (%)</i> | <i>3.29</i> | <i>3.1</i> | <i>18</i> | <i>3.2</i> | <i>12</i> | <i>2.8</i> | <i>-</i> | <i>-</i> |
| Other Income - Total | 1,14,677 | 86,734 | 32.2 | 88,743 | 29.2 | 4,05,639 | 4,34,964 | (6.7) |
| <i>Other Inc to Net Oper. Income (%)</i> | <i>23.2</i> | <i>22.0</i> | <i>111</i> | <i>20.1</i> | <i>301</i> | <i>25.2</i> | <i>28.2</i> | <i>(305)</i> |
| Net Operating Revenue | 4,95,364 | 3,93,608 | 25.9 | 4,40,577 | 12.4 | 16,12,715 | 15,42,064 | 4.6 |
| Employee Expenses | 1,47,567 | 1,24,715 | 18.3 | 1,28,674 | 14.7 | 5,01,436 | 5,09,360 | (1.6) |
| Other Opex | 95,604 | 83,677 | 14.3 | 1,00,703 | (5.1) | 3,58,355 | 3,17,162 | 13.0 |
| Total Opex | 2,43,171 | 2,08,392 | 16.7 | 2,29,377 | 6.0 | 8,59,791 | 8,26,522 | 4.0 |
| <i>Cost to Income Ratio (%)</i> | <i>49.1</i> | <i>52.9</i> | <i>(385)</i> | <i>52.1</i> | <i>(297)</i> | <i>53.3</i> | <i>53.6</i> | <i>(29)</i> |
| Pre Provision Profits | 2,52,193 | 1,85,216 | 36.2 | 2,11,200 | 19.4 | 7,52,924 | 7,15,542 | 5.2 |
| Provisions & Contingencies - Total | 57,606 | 69,740 | (17.4) | 30,387 | 89.6 | 2,44,521 | 4,40,130 | (44.4) |
| <i>NPA Provisions as % PPP</i> | <i>22.8</i> | <i>37.7</i> | <i>(1,481)</i> | <i>14.4</i> | <i>845</i> | <i>36.0</i> | <i>61.5</i> | <i>(2,548)</i> |
| Profit Before Tax | 1,94,587 | 1,15,477 | 68.5 | 1,80,814 | 7.6 | 4,34,219 | 2,75,411 | 57.7 |
| Tax | 52,534 | 31,158 | 68.6 | 48,168 | 9.1 | 1,17,459 | 71,307 | 64.7 |
| <i>Effective Tax Rate (%)</i> | <i>27.0</i> | <i>27.0</i> | <i>2</i> | <i>26.6</i> | <i>36</i> | <i>27.1</i> | <i>25.9</i> | <i>116</i> |
| Reported Profits | 1,42,053 | 84,319 | 68.5 | 1,32,645 | 7.1 | 3,16,760 | 2,04,105 | 55.2 |
| <i>RoA (%)</i> | <i>1.1</i> | <i>0.7</i> | <i>37</i> | <i>1.0</i> | <i>4</i> | <i>0.7</i> | <i>0.5</i> | <i>19</i> |
| <i>RoE (%)</i> | <i>17.7</i> | <i>12.2</i> | <i>550</i> | <i>17.4</i> | <i>29</i> | <i>11.9</i> | <i>9.9</i> | <i>196</i> |

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

| (₹ mn) | 2Q FY22 | 3Q FY22 | 4Q FY22 | 1Q FY23 | 2Q FY23 | 3Q FY23 | QoQ % / bps | YoY % / bps |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Worth | 26,84,004 | 27,67,823 | 28,00,881 | 29,13,635 | 30,49,128 | 32,12,037 | 5.3 | 16.0 |
| RoE (%) | 11.4 | 12.2 | 13.0 | 8.3 | 17.4 | 17.7 | 29 | 550 |
| Tier 1 (%) | 11.0 | 10.9 | 11.4 | 11.2 | 11.1 | 10.8 | (32) | (11) |
| Total CAR (%) | 13.4 | 13.2 | 13.8 | 13.4 | 13.5 | 13.3 | (24) | 4 |
| RWA - Total | 2,31,17,076 | 2,40,41,839 | 2,47,88,359 | 2,56,11,578 | 2,61,28,999 | 2,69,40,062 | 3.1 | 12.1 |
| Advances - Total | 2,44,31,942 | 2,57,83,865 | 2,73,39,666 | 2,81,52,492 | 2,95,12,875 | 3,05,81,770 | 3.6 | 18.6 |
| Investments | 1,46,65,295 | 1,48,98,758 | 1,48,14,455 | 1,52,92,037 | 1,55,53,219 | 1,56,92,020 | 0.9 | 5.3 |
| Total Assets | 4,69,19,173 | 4,82,18,690 | 4,98,75,974 | 5,02,58,199 | 5,19,98,008 | 5,32,41,229 | 2.4 | 10.4 |
| RoA (%) | 0.66 | 0.71 | 0.74 | 0.48 | 1.04 | 1.08 | 4 | 37 |
| Deposits | 3,80,96,299 | 3,84,77,937 | 4,05,15,341 | 4,04,56,956 | 4,19,02,549 | 4,21,35,571 | 0.6 | 9.5 |
| CASA Deposits | 1,70,63,870 | 1,70,06,880 | 1,77,50,840 | 1,76,76,660 | 1,79,77,510 | 1,80,06,770 | 0.2 | 5.9 |
| CASA Ratio (%) | 46.2 | 45.7 | 45.3 | 45.3 | 44.6 | 44.5 | (15) | (126) |
| Interest Bearing Liabilities - Total | 4,22,85,806 | 4,34,75,179 | 4,47,75,775 | 4,52,63,487 | 4,67,88,633 | 4,76,36,981 | 1.8 | 9.6 |

Source: Company, LKP Research

Exhibit 3: Funding Profile Analysis

| (₹ mn) | 2Q FY22 | 3Q FY22 | 4Q FY22 | 1Q FY23 | 2Q FY23 | 3Q FY23 | QoQ % / bps | YoY % / bps |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Bearing Liabilities - Total | 4,22,85,806 | 4,34,75,179 | 4,47,75,775 | 4,52,63,487 | 4,67,88,633 | 4,76,36,981 | 1.8 | 9.6 |
| Global Deposits | 3,80,96,299 | 3,84,77,937 | 4,05,15,341 | 4,04,56,956 | 4,19,02,549 | 4,21,35,571 | 0.6 | 9.5 |
| CASA Deposits | 1,70,63,870 | 1,70,06,880 | 1,77,50,840 | 1,76,76,660 | 1,79,77,510 | 1,80,06,770 | 0.2 | 5.9 |
| Saving Deposit | 1,45,36,240 | 1,47,35,060 | 1,51,32,050 | 1,53,39,590 | 1,56,51,740 | 1,57,29,670 | 0.5 | 6.7 |
| Current Deposit | 25,27,630 | 22,71,820 | 26,18,790 | 23,37,070 | 23,25,770 | 22,77,100 | (2.1) | 0.2 |
| Dom. Term Deposits | 2,10,32,429 | 2,14,71,057 | 2,27,64,501 | 2,27,80,296 | 2,39,25,039 | ,41,28,801 | 0.9 | 12.4 |
| Borrowings | 41,89,508 | 49,97,242 | 42,60,434 | 48,06,531 | 48,86,084 | 55,01,410 | 12.6 | 10.1 |

Source: Company, LKP Research

Exhibit 4: Asset Quality Analysis

| (₹ mn) | 2Q FY22 | 3Q FY22 | 4Q FY22 | 1Q FY23 | 2Q FY23 | 3Q FY23 | QoQ % / bps | YoY % / bps |
|----------------------|-----------|-----------|-----------|-----------|-----------|----------|-------------|-------------|
| Gross Slippages | 42,930 | 25,790 | 36,050 | 1,01,150 | 24,410 | 32,100 | 31.5 | 24.5 |
| Slippages Ratio (%) | 0.18 | 0.11 | 0.15 | 0.37 | 0.09 | 0.12 | 3 | 1 |
| Gross NPA | 12,39,418 | 12,00,288 | 11,20,234 | 11,32,717 | 10,68,041 | 9,83,465 | (7.9) | (18.1) |
| Gross NPAs Ratio (%) | 4.90 | 4.50 | 3.97 | 3.91 | 3.52 | 3.14 | (38) | (136) |
| PCR - Calculated (%) | 70.1 | 71.2 | 75.0 | 75.1 | 77.9 | 76.1 | (181) | 490 |
| Net NPA | 3,71,186 | 3,45,397 | 2,79,657 | 2,82,579 | 2,35,722 | 2,34,843 | (0.4) | (32.0) |
| Net NPAs Ratio (%) | 1.52 | 1.34 | 1.02 | 1.00 | 0.80 | 0.77 | (3) | (57) |

Source: Company, LKP Research

Annual Projections

Exhibit 5: Profit and Loss Statement

| (₹ mn) | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------------|-----------------|------------------|------------------|------------------|------------------|
| Int. Income / Opr. Revenue | 25,73,236 | 26,51,506 | 27,54,573 | 31,04,583 | 36,00,254 |
| Interest Expenses | 15,92,388 | 15,44,406 | 15,47,497 | 17,10,427 | 19,36,651 |
| Net Interest Income | 9,80,848 | 11,07,100 | 12,07,076 | 13,94,156 | 16,63,602 |
| <i>NIM (%)</i> | <i>2.80</i> | <i>2.85</i> | <i>2.76</i> | <i>2.89</i> | <i>3.07</i> |
| Other Income - Total | 4,52,215 | 4,34,964 | 4,05,639 | 4,42,147 | 4,86,361 |
| Net Operating Revenue | 14,33,063 | 15,42,064 | 16,12,715 | 18,36,303 | 21,49,964 |
| Employee Exp. | 4,57,150 | 5,09,360 | 5,01,436 | 5,66,623 | 6,57,282 |
| Other Opex | 2,94,587 | 3,17,162 | 3,58,355 | 4,01,358 | 4,65,575 |
| Total Opex | 7,51,737 | 8,26,522 | 8,59,791 | 9,67,981 | 11,22,858 |
| <i>C/I Ratio (%)</i> | <i>52.46</i> | <i>53.60</i> | <i>53.31</i> | <i>52.71</i> | <i>52.23</i> |
| Pre Provision Profits | 6,81,326 | 7,15,542 | 7,52,924 | 8,68,322 | 10,27,106 |
| <i>PPP Growth (yoy %)</i> | <i>22.9</i> | <i>5.0</i> | <i>5.2</i> | <i>15.3</i> | <i>18.3</i> |
| Provisions & Contingencies - Total | 4,33,304 | 4,40,130 | 2,44,521 | 1,79,300 | 2,07,891 |
| <i>Credit Cost (As % of Op. AUM)</i> | <i>1.96</i> | <i>1.76</i> | <i>0.93</i> | <i>0.65</i> | <i>0.65</i> |
| Profit Before Tax | 2,48,022 | 2,75,411 | 4,34,219 | 6,89,022 | 8,19,215 |
| Tax | 1,03,141 | 71,307 | 1,17,459 | 1,86,036 | 2,21,188 |
| <i>Effective Tax Rate (%)</i> | <i>41.6</i> | <i>25.9</i> | <i>32.6</i> | <i>27.0</i> | <i>27.0</i> |
| Reported Profits | 1,44,881 | 2,04,105 | 3,16,760 | 5,02,986 | 5,98,027 |
| <i>PAT Growth (yoy %)</i> | <i>1,580.3</i> | <i>40.9</i> | <i>55.2</i> | <i>58.8</i> | <i>18.9</i> |

Source: Company, LKP Research

Exhibit 6: Balance Sheet

| (₹ mn) | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Equity Share Capital | 8,925 | 8,925 | 8,925 | 8,925 | 8,925 |
| Reserves (ex Revel. Reserve) | 20,73,523 | 22,94,054 | 25,58,177 | 30,61,164 | 36,59,190 |
| Net Worth - Ex Revaluation | 20,82,448 | 23,02,978 | 25,67,102 | 30,70,088 | 36,68,115 |
| Deposits | 3,24,16,207 | 3,68,12,771 | 4,05,15,341 | 4,46,23,873 | 5,18,46,623 |
| Borrowings | 31,46,557 | 41,72,977 | 42,60,434 | 44,13,350 | 45,08,402 |
| Interest Bearing Liabilities (₹ mn) | 3,55,62,764 | 4,09,85,748 | 4,47,75,775 | 4,90,37,223 | 5,63,55,025 |
| Other Lia. & Prov. | 16,31,101 | 18,19,797 | 22,99,319 | 22,82,870 | 21,51,969 |
| Total Liabilities | 3,95,13,939 | 4,53,44,296 | 4,98,75,974 | 5,46,48,128 | 6,24,64,528 |
| Assets | | | | | |
| Cash & Cash Equivalent | 25,10,970 | 34,30,387 | 39,45,523 | 28,58,088 | 32,76,487 |
| Investments | 1,04,69,545 | 1,35,17,052 | 1,48,14,455 | 1,59,20,788 | 1,75,02,727 |
| Loan & Advances (₹ mn) | 2,32,52,896 | 2,44,94,978 | 2,73,39,666 | 3,17,14,012 | 3,71,05,395 |
| Growth (yoy %) | 6.4 | 5.3 | 11.6 | 16.0 | 17.0 |
| Fixed Assets | 3,84,393 | 3,84,192 | 3,77,082 | 4,16,066 | 4,66,829 |
| Other Assets | 28,96,136 | 35,17,687 | 33,99,249 | 37,39,174 | 41,13,091 |
| Total Assets | 3,95,13,939 | 4,53,44,296 | 4,98,75,974 | 5,46,48,128 | 6,24,64,528 |

Source: Company, LKP Research

Exhibit 7: Per share data

| Y/E Mar | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Face Value (₹) | 1 | 1 | 1 | 1 | 1 |
| Adjusted Share O/S (mn) | 8,925 | 8,925 | 8,925 | 8,925 | 8,925 |
| Earnings Per Share (₹) | 16.2 | 22.9 | 35.5 | 56.4 | 67.0 |
| EPS (% YoY) | 1,580.3 | 40.9 | 55.2 | 58.8 | 18.9 |
| P/E (x) | 33.5 | 23.8 | 15.3 | 9.7 | 8.1 |
| Book Value (₹) | 233.3 | 258.0 | 287.6 | 344.0 | 411.0 |
| BVPS (% YoY) | 6.1 | 10.6 | 11.5 | 19.6 | 19.5 |
| P/BV (x) | 2.3 | 2.1 | 1.9 | 1.6 | 1.3 |
| Adj. BV (₹) | 204.3 | 237.4 | 272.0 | 330.8 | 397.9 |
| Adj. BV (% YoY) | 11.6 | 16.2 | 14.6 | 21.6 | 20.3 |
| P/ABV (x) | 2.7 | 2.3 | 2.0 | 1.6 | 1.4 |

Source: Company, LKP Research

Exhibit 8: Detail RoA Tree (%)

| Y/E Mar | FY20 | FY21 | FY22 | FY23E | FY24E |
|---|------|------|-------|-------|-------|
| <u>Yields / Margins</u> | | | | | |
| <i>Yield on Advance</i> | 8.0 | 7.2 | 6.6 | 6.7 | 6.9 |
| <i>Yield on Funds</i> | 7.4 | 6.8 | 6.3 | 6.4 | 6.6 |
| <i>Cost of Funds (CoF)</i> | 4.6 | 4.0 | 3.6 | 3.6 | 3.7 |
| <i>Interest Spread</i> | 2.7 | 2.8 | 2.7 | 2.8 | 3.0 |
| <i>NIM's</i> | 2.8 | 2.9 | 2.8 | 2.9 | 3.1 |
| <i>Interest Income / Assets</i> | 6.7 | 6.2 | 5.8 | 5.9 | 6.1 |
| <i>Interest Exp. / Assets</i> | 4.2 | 3.6 | 3.3 | 3.3 | 3.3 |
| <i>NII / Assets</i> | 2.6 | 2.6 | 2.5 | 2.7 | 2.8 |
| <i>Fee Income / Assets</i> | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 |
| <i>Other Non Core Income / Assets</i> | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| <i>Other Income / Assets</i> | 1.2 | 1.0 | 0.9 | 0.8 | 0.8 |
| <i>Net Operating Income / Assets</i> | 3.8 | 3.6 | 3.4 | 3.5 | 3.7 |
| <u>Operating Ratios</u> | | | | | |
| <i>NII to Net Operative Income</i> | 68.4 | 71.8 | 74.8 | 75.9 | 77.4 |
| <i>Other Income to Net Operative Income</i> | 31.6 | 28.2 | 25.2 | 24.1 | 22.6 |
| <i>Empl. Cost/Oper. Exps.</i> | 60.8 | 61.6 | 58.3 | 58.5 | 58.5 |
| <i>Other Op. Exps./Oper. Exps.</i> | 39.2 | 38.4 | 41.7 | 41.5 | 41.5 |
| <i>C/I Ratio (%)</i> | 52.5 | 53.6 | 53.3 | 52.7 | 52.2 |
| <i>Provisions as % PPP</i> | 30.2 | 28.5 | 15.2 | 9.8 | 9.7 |
| <i>Credit Cost (As % of Op. AUM)</i> | 2.0 | 1.8 | 0.9 | 0.7 | 0.7 |
| <i>Effective Tax Rate (%)</i> | 41.6 | 25.9 | 32.6 | 27.0 | 27.0 |
| <i>Employee Exp. / Assets</i> | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| <i>Other Opex/ Assets</i> | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 |
| <i>Total Opex / Assets</i> | 2.0 | 1.9 | 1.8 | 1.9 | 1.9 |
| <i>Operating Profits / Assets</i> | 1.8 | 1.7 | 1.6 | 1.7 | 1.8 |
| <i>Exceptional Items / Assets</i> | - | - | (0.2) | - | - |
| <i>Op Profit ex Except Items / Assets</i> | 1.8 | 1.7 | 1.4 | 1.7 | 1.8 |
| <i>Provisions / Assets</i> | 1.1 | 1.0 | 0.5 | 0.3 | 0.4 |
| <i>Profit Before Tax / Assets</i> | 0.6 | 0.6 | 0.9 | 1.3 | 1.4 |
| <i>Tax Expenses / Assets</i> | 0.3 | 0.2 | 0.2 | 0.4 | 0.4 |
| <i>RoA</i> | 0.4 | 0.5 | 0.7 | 1.0 | 1.0 |
| <i>Leverage (x)</i> | 19.0 | 19.7 | 19.4 | 17.8 | 17.0 |
| <i>RoE</i> | 6.4 | 8.4 | 11.9 | 16.4 | 16.4 |
| <i>Adj. RoA</i> | 0.4 | 0.5 | 0.4 | 1.0 | 1.0 |
| <i>Adj. RoE</i> | 6.4 | 8.4 | 6.3 | 16.4 | 16.4 |

Source: Company, LKP Research

Exhibit 9: Balance Sheet Ratios

| Y/E Mar | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|------|------|------|-------|-------|
| Credit / Deposit Ratio | 71.7 | 66.5 | 67.5 | 71.1 | 71.6 |
| Incremental C/D Ratio | 42.2 | 28.3 | 76.8 | 106.5 | 74.6 |
| Investment Deposit Ratio | 32.3 | 36.7 | 36.6 | 35.7 | 33.8 |
| Dom. SLR Investment / Deposits | 25.7 | 29.6 | 29.4 | 29.4 | 28.4 |
| CASA Ratio | 45.9 | 46.8 | 45.2 | 45.5 | 45.5 |

Source: Company, LKP Research

Exhibit 10: Credit Quality

| Y/E Mar | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|-----------|-----------|-----------|----------|----------|
| Slippage Ratio (%) | 2.5 | 1.2 | 1.1 | 0.7 | 0.6 |
| Gross NPA | 14,89,125 | 12,63,890 | 11,20,234 | 9,62,757 | 9,26,421 |
| Gross NPAs Ratio (%) | 6.2 | 5.0 | 4.0 | 3.0 | 2.5 |
| PCR (%) | 65.2 | 70.9 | 75.0 | 76.3 | 76.6 |
| Net NPA | 5,18,713 | 3,68,097 | 2,79,657 | 2,28,640 | 2,16,770 |
| Net NPAs Ratio (%) | 2.2 | 1.5 | 1.0 | 0.7 | 0.6 |
| Total Impaired Loans | 14,89,125 | 12,63,890 | 11,20,234 | 9,62,757 | 9,26,421 |
| Impaired Loan as % of Loan / AUM | 6.0 | 4.7 | 3.8 | 2.8 | 2.3 |
| Total Risk Reserves | 9,70,412 | 8,95,793 | 8,40,577 | 7,34,117 | 7,09,651 |
| Total Risk As % of Loan Book | 3.9 | 3.3 | 2.8 | 2.1 | 1.8 |

Source: Company, LKP Research

Exhibit 11: Key Assumptions & Forecasts

| Y/E Mar | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Loan & Advances (₹ mn) | 2,32,52,896 | 2,44,94,978 | 2,73,39,666 | 3,17,14,012 | 3,71,05,395 |
| Growth (yoy %) | | 5.3 | 11.6 | 16.0 | 17.0 |
| Interest Bearing Liabilities (₹ mn) | 3,55,62,764 | 4,09,85,748 | 4,47,75,775 | 4,90,37,223 | 5,63,55,025 |
| Growth (yoy %) | | 15.2 | 9.2 | 9.5 | 14.9 |
| Yield on Funds | 7.4 | 6.8 | 6.3 | 6.4 | 6.6 |
| Cost of Funds (CoF) | 4.6 | 4.0 | 3.6 | 3.6 | 3.7 |
| Interest Spread | 2.7 | 2.8 | 2.7 | 2.8 | 3.0 |
| NIM's | 2.8 | 2.9 | 2.8 | 2.9 | 3.1 |
| Other Income Growth | 23.0 | (3.8) | (6.7) | 9.0 | 10.0 |
| C/I Ratio (%) | 52.5 | 53.6 | 53.3 | 52.7 | 52.2 |
| Effective Tax Rate (%) | 41.6 | 25.9 | 32.6 | 27.0 | 27.0 |
| Return Ratios | | | | | |
| Adj. RoA | 0.4 | 0.5 | 0.4 | 1.0 | 1.0 |
| Adj. RoE | 6.4 | 8.4 | 6.3 | 16.4 | 16.4 |
| Asset Quality Metrics | | | | | |
| Credit Cost (As % of Op. AUM) | 2.0 | 1.8 | 0.9 | 0.7 | 0.7 |
| Gross NPAs Ratio (%) | 6.2 | 5.0 | 4.0 | 3.0 | 2.5 |
| Net NPAs Ratio (%) | 2.2 | 1.5 | 1.0 | 0.7 | 0.6 |

Source: Company, LKP Research

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